

**REPORT OF THE COMMITTEE ON
PUBLIC INFRASTRUCTURE AND TECHNOLOGY**

Voting Members:

Carol Fukunaga, Chair; Andria Tupola, Vice-Chair;
Brandon J.C. Elefante, Heidi Tsuneyoshi

Committee Meeting Held
March 2, 2022

Honorable Tommy Waters
Council Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Public Infrastructure and Technology, which considered
Resolution 22-40 entitled:

"RESOLUTION URGING THE HAWAII STATE LEGISLATURE TO ADDRESS
RESIDENTIAL HIGH-RISE CONDOMINIUM/CO-OPERATIVE INSURANCE
ISSUES ASSOCIATED WITH IMPLEMENTATION OF FIRE SAFETY MEASURES
IN EXISTING HIGH-RISE RESIDENTIAL BUILDINGS,"

introduced on February 24, 2022, reports as follows:

The purpose of the resolution is to urge the Hawai'i State Legislature to address
residential high-rise condominium/cooperative maintenance and reserve issues and
insurance premiums that affect the implementation of City fire sprinkler and fire safety
upgrades.

At your Committee's meeting on March 2, 2022, two individuals testified in support of
the Resolution. Your Committee also received written testimony in support of the resolution
from the Hawaii Council of Associations of Apartment Owners ("HCCAO").

Ms. Sugimura, President of HCCAO, testified in support of the resolution and
indicated that insurance premiums have increased for all residential high-rise buildings,
including older residential high-rise buildings that are exempt from Ordinance 19-4. Ms.
Sugimura stated that HCCAO has sought guidance from the Chair of the State House
Committee on Consumer Protection and Commerce on potential discussions with the
State's Insurance Commissioner, Councilmembers Say and Fukunaga, insurance industry
representatives, condominium-cooperative associations, and other property stakeholders
over dramatic increases in Hawaii insurance rates for residential high-rise buildings, some

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON _____

COMMITTEE REPORT NO. 45

REPORT OF THE COMMITTEE ON PUBLIC INFRASTRUCTURE AND TECHNOLOGY

Voting Members:

Carol Fukunaga, Chair; Andria Tupola, Vice-Chair;
Brandon J.C. Elefante, Heidi Tsuneyoshi

Committee Meeting Held
March 2, 2022
Page 2

of which are exempt from Ordinance 19-04, or increases levied upon those buildings that have received "acceptable" scores on their Life Safety Evaluations and are pursuing fire safety improvements other than fire sprinklers.

Ms. Sugimura explained that in addition to increased insurance rates, federal lending agencies have placed additional maintenance requirements on high-rise buildings, resulting in those buildings becoming ineligible for loans to prospective buyers. Recent federal lending agencies' notifications to condominium-cooperative associations impose additional hardships upon residential high-rise building owners. Such hardships may disrupt owners' and renters' ability to pay for additional maintenance, which may lead to more vacant units. At the same time, vacant units contribute to the inability of condominium or cooperative associations to collect maintenance fees, which exacerbates a condominium or cooperative association's ability to borrow money and make necessary improvements.

HCCAO acknowledges that the resolution is needed to facilitate a review of potential amendments to Section 514B-148, Hawaii Revised Statutes ("HRS"), since increases in insurance premiums and government mandates for fire sprinkler retrofits in individual units result in substantial costs for residential high-rise buildings owners. During the past year, it has become increasingly difficult for condominium-cooperative associations to fulfill existing requirements for their budgets and reserves under HRS Section 514B-148.

Mr. Dela Cruz, an AOA Director from the Hawaii Chapter, Community Associations Institute (CAI), testified in support of the resolution and described the process that residential high-rise building associations undergo to determine their annual budgets, including capital costs for regular repair and maintenance, and allocations for required building reserve funds (long-term capital improvement costs).

The capital costs determine the amount of increases in annual maintenance fees that will be assessed upon individual dwelling unit owners. Mr. Dela Cruz further explained that increased costs for insurance and any other mandated improvements such as fire

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON _____

COMMITTEE REPORT NO. 45

REPORT OF THE COMMITTEE ON PUBLIC INFRASTRUCTURE AND TECHNOLOGY

Voting Members:

Carol Fukunaga, Chair; Andria Tupola, Vice-Chair;
Brandon J.C. Elefante, Heidi Tsuneyoshi

Committee Meeting Held
March 2, 2022
Page 3

sprinklers or life safety improvements that were not previously budgeted, result in higher costs that condominium associations are now being challenged to absorb. If the building owners are unable to cover the costs through the condominium association's reserves, which the association uses to plan and budget for long-term maintenance expenses, associations may have to consider taking out a loan and imposing special assessments upon individual dwelling unit owners, which are in addition to existing maintenance fees and create additional burdens for owners.

Your Committee notes that the resolution was introduced in response to many concerns raised by condominium-cooperative association stakeholders who pointed out that many of these issues are beyond the scope of City Council jurisdiction. Condominium governance and management, property insurance, bank regulation, and financial practices are regulated under State laws. Many of the concerns raised by condominium-cooperative associations and individual unit owners must be reviewed and evaluated at the State Legislature through appropriate legislation and action by State agencies.

Your Committee on Public Infrastructure and Technology is in accord with the intent and purpose of Resolution 22-40 and recommends its adoption. (Ayes: Elefante, Fukunaga, Tsuneyoshi, Tupola - 4; Noes: None.)

Respectfully submitted,



Committee Chair

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON _____

COMMITTEE REPORT NO. 45